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EXAMINER

FISCHER, ANDREW J

ART UNIT PAPER NUMBER

3627

DATE MAILED: 08/08/2003

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary

Application No.

09/521,472

Applicant(s)

YANAGISAWA ET AL. *CS*

Examiner

Andrew J. Fischer

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 16 June 2003.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-42 is/are pending in the application.
- 4a) Of the above claim(s) 1-25,39,41 and 42 is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 26-38 and 40 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- 11) ☐ The proposed drawing correction filed on _____ is: a) ☐ approved b) ☐ disapproved by the Examiner.
- If approved, corrected drawings are required in reply to this Office action.
- 12) ☐ The oath or declaration is objected to by the Examiner.

Priority under 35 U.S.C. §§ 119 and 120

- 13) ☒ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☒ All b) ☐ Some * c) ☐ None of:
1. ☒ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application).
- a) ☐ The translation of the foreign language provisional application has been received.
- 15) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121.

Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892) 4) ☐ Interview Summary (PTO-413) Paper No(s). _____
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948) 5) ☐ Notice of Informal Patent Application (PTO-152)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) _____ 6) ☐ Other: _____

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DETAILED ACTION

Continued Examination Under 37 C.F.R. § 1.114

1. A request for continued examination ("RCE") under 37 C.F.R. §1.114, including the fee set forth in 37 C.F.R. §1.17(e), was filed in this application after final rejection. Since this application is eligible for continued examination under 37 C.F.R. 1.114, and the fee set forth in 37 C.F.R. §1.17(e) has been timely paid, the finality of the previous Office action has been withdrawn pursuant to 37 C.F.R. §1.114.

Acknowledgments

2. In accordance with the RCE noted above, the amendment filed June 16, 2003 (Paper No. 18) is acknowledged. Accordingly, claims 1-42 remain pending with claims 1-25, 39, 41, and 42 withdrawn from consideration in Paper No. 10.

3. The Examiner again cautions that claims 35-38 as currently claimed are not patentably distinct from claims 26-34. Therefore a restriction between claims 26-34 and 35-38 is still improper. However, if Applicants amend either group of claims so that they are no longer patentably distinct, a restriction between the two groups would likely follow.

Claim Rejections - 35 USC § 102

4. The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

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A person shall be entitled to a patent unless -

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States. . . .

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the Applicant for patent, or on an international application by another who has fulfilled the requirements of paragraphs (1), (2), and (4) of section 371(c) of this title before the invention thereof by the Applicant for patent.

5. Claims 26-38 are rejected under 35 U.S.C. 102(e) as being anticipated by Kanevsky et. al. (U.S. 6,334,109 B1) ("Kanevsky"). Kanevsky discloses the following: receiving advertising information (inherent since how else would it be able to print an advertisement); calculating a billing amount (inherent since advertising is rarely free) based on the advertising information received (again inherent since advertisement costs are based upon size of the ad, duration, black and white v. color, just text or text and images); confirming payment of billing amount (payment of the cost of the ad); storing the information received; the advertising information includes images (inherent in advertisements); receiving check out information (items purchased, ect); retrieving stored advertisement information (the ad size, content, ect); synthesizing the received check-out information with the retrieved advertising information and generating printed data (the receipt with the ad and advertisement); the checkout information includes customer information (stored on the server); selecting and retrieving one advertising information (an ad) from a plurality of advertising information (a plurality of ads); the advertising information includes a period for running an advertisement (inherent since virtually no ad runs forever); the advertising information includes characteristics of an advertisement recipient (the ad information is based in part upon the customer) including gender (column 8, lines 34-37); the ad is printed at whatever size; the billing

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is based upon duration (inherent in virtually all ads); displaying (in this case printing) an advertisement that is the same size as the printing size of an advertisement (inherent); printing a temporary registration containing an ID (the transaction ID on the receipt); reading the ID; and registering advertisement information in the server (in the advertisement server).

6. Claim 40 is alternatively rejected under 35 U.S.C. 102(e) as being anticipated by Walker et al (U.S. 6,298,329 B1)(Walker '329). Walker '329 discloses printing a temporary registration containing an ID (the coupon with bar code as identifier); reading the ID by the input terminal (upon subsequent purchase of item); confirming said ID in the server (inherent for identification purposes); receiving advertising information (the discounted price of the item on the coupon) from an input terminal (when the bar code is scanned, its sale price is noted); calculating a billing amount (totally the customer's bill); displaying the billing amount (on the POS terminal); receiving payment (inherent); registering said advertising information in said server after receiving payment (recording the payment received for accounting purposes such as annual financial reports, taxes, etc.); and printing a receipt (inherent).

Claim Rejections - 35 USC § 103

7. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person

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having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

8. Claims 26-38 are alternatively rejected under 35 U.S.C. 103(a) as being unpatentable over Kanevsky.¹ It is the Examiner's principle position that the claims are anticipated by Kanevsky because of the inherencies as discussed above. Just because Kanevsky silent as to the billing methods does not mean the billing method are absent from the Kanevsky's embodiment of the invention. To the contrary, since most advertisers must pay for their advertisements, based upon a preponderance of the evidence standard, the missing elements are clearly inherent in the Kanevsky embodiments.

However if not inherent, the Examiner takes Official Notice that businesses calculate a billing amount (by totaling charges for all the goods and services provided). Additionally the Examiner takes Official Notice that advertisers store advertisements after a payment for the advertisement is confirmed. This is a standard business practice. Finally, the Examiner takes Official Notice that advertisements may contain images.²

Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to modify Kanevsky to include confirming payment after calculating a billing amount and to include receiving image information. Such a modification would have

¹ See MPEP §2112 expressly authorizing alternative 102/103 rejections when the question of inherency is present in the §102 rejection.

² The Examiner respectfully reminds Applicants that if they intend to traverse the Official Notice statements, their traversal must be proper. See MPEP §2172.

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implemented the standard business practice of confirming payment before transfer of possession is performed. The alternative would be put the seller in a less advantageous bargaining position if having transferred possession, the receiver is unable to make payment. From a business and bargaining point of view, one of ordinary skill in the art would realize that this is an undesirable position to be in.

9. Claims 26-38 and 40, as understood by the Examiner, are alternatively rejected under 35 U.S.C. 103(a) as being unpatentable over Kanevsky in view of Dedrick (U.S. 5,724,521). Again, it is the Examiner's principle position that the claims are anticipated by Kanevsky because Kanevsky inherently discloses fee processing for a particular customer.

However if not inherent, Dedrick directly teaches billing advertisers based upon the match to the customer. Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to modify Kanevsky as taught by Dedrick to include the fee processes. Such a modification would have allowed advertisers to pay for access to individual customers based on how desirable it is for the advertiser to have access to those particular customers.

10. Claim 40 is rejected under 35 U.S.C. 103(a) as being unpatentable over Kanevsky in view of Schulze et. al. (U.S. 6,233,564 B1) ("Schulze"). Again, it is the Examiner's principle position that the claims are anticipated by Kanevsky because Kanevsky inherently discloses reading the ID by a terminal. However if not inherent, Schulze teaches printing a temporary registration (printing the ID itself) and identifying a person by the card ID reader.

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Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to modify Kanevsky as taught by Schulze to include identifying the user with the ID card. Such modification would have provided restricted access to the computer system to prevent fraud, destruction, and other problems. Preventing access is a highly desirable feature in any computer system.

11. Claim 40 is alternatively rejected under 35 U.S.C. 103(a) as being unpatentable over Kanevsky/Dedrick combination noted above and in further view of Schulze. Again, it is the Examiner's principle position that the claim is anticipated by Kanevsky because Kanevsky inherently discloses fee processing for a particular customer. However if not inherent, the Kanevsky/Dedrick combination discloses the claimed invention but does not directly disclose reading the ID by a terminal. Schulze teaches printing a temporary registration (printing the ID itself) and identifying a person by the card ID reader.

Therefore, it would have been obvious to one having ordinary skill in the art at the time the invention was made to further modify the Kanevsky/Dedrick combination as taught by Schulze to include identifying the user with the ID card. Such modification would have provided restricted access to the computer system to prevent fraud, destruction, and other problems. Preventing access is a highly desirable feature in any computer system.

12. Finally, claim 40 is alternatively rejected under 35 U.S.C. 103(a) as being unpatentable over Walker '329. It is the Examiner's principle position that the claim is anticipated by Walker '329 because the inherencies as discussed above. However if not inherent, the Examiner takes

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Official Notice that POS systems have servers for scalability purposes. It therefore would have been obvious to one having ordinary skill in the art at the time the invention was made to modify Walker '329 to include servers. Such a modification would have made scaling the POS system cheaper.

13. Functional recitation(s) using the word "for" (e.g. "for billing for advertisements" as recited in claim 26) have been given little patentable weight because they fail to add any steps and are thereby regarded as intended use language. A recitation of the intended use of the claimed invention must result in additional steps. See *Bristol-Myers Squibb Co. v. Ben Venue Laboratories, Inc.*, 246 F.3d 1368, 1375-76, 58 USPQ2d 1508, 1513 (Fed. Cir. 2001) (Where the language in a method claim states only a purpose and intended result, the expression does not result in a manipulative difference in the steps of the claim.).

14. For due process purposes, the Examiner again confirms that Applicants have decided not to be their own lexicographer by indicating and defining claim limitations to have meanings other than their ordinary and accustomed meanings. To support this position, the Examiner again notes the following factual findings as first expounded in the previous Office Actions.³ The Examiner has again carefully reviewed the specification and prosecution history and can not locate any lexicographic definition(s). Second, the Examiner finds that not only have Applicants not pointed to definitional statements in their specification or prosecution history, Applicants have also not

³ See the first Office Action on the merits mailed July 25, 2002, Paper No. 13, Paragraph No. 12.; and the second Office Action on the merits mailed January 13, 2003, Paper No. 15, Paragraph No. 13

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pointed to a term or terms in a claim with which to draw in those statements.⁴ Third, after receiving express notice of the Examiner's position that lexicography is *not* invoked,⁵ Applicants have not pointed out the "supposed errors" in the Examiner's position regarding lexicography invocation in accordance with 37 C.F.R. §1.111(b) (i.e. Applicants have not argued lexicography *is* invoked). Forth and to be sure of Applicants' intent, the Examiner also notes that Applicants have declined the Examiner's express invitation⁶ to be their own lexicographer.⁷ Finally, after receiving express notice of the preceding factual findings and conclusions, Applicants' latest response again fails to point out the supposed errors in the Examiner's position regarding lexicography invocation in accordance with 37 C.F.R. §1.111(b). Moreover, Applicants' latest response—while fully considered by the Examiner—does not change the Examiner's conclusion

⁴ "In order to overcome this heavy presumption in favor of the ordinary meaning of claim language, it is clear that a party wishing to use statements in the written description to confine or otherwise affect a patent's scope must, at the very least, point to a term or terms in the claim with which to draw in those statements." *Johnson Worldwide Assocs. v. Zebco Corp.*, 175 F.3d 985, 989, 50 USPQ2d 1607, 1610 (Fed. Cir. 1999).

⁵ See again the first Office Action on the merits mailed July 25, 2002, Paper No. 13, Paragraph No. 12.

⁶ *Id.*

⁷ The Examiner's requirements on this matter were reasonable on at least two separate and independent grounds. First, the Examiner's requirements were simply an express request for clarification of how Applicants intend their claims to be interpreted so that lexicography (or even an *attempt* at lexicography) by Applicants was not inadvertently overlooked by the Examiner. Second, the requirements were reasonable in view of the USPTO's goals of compact prosecution, productivity with particular emphasis on reductions in both pendency and cycle time, and other goals as outlined in the USPTO's The 21st Century Strategic Plan, February 3, 2003 available at www.uspto.gov/web/offices/com/strat21/index.htm (last accessed August 4, 2003).

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that Applicants have decided not to be their own lexicographer. Therefore, the heavy presumption in favor of the ordinary and accustomed meaning for claim terminology is confirmed. Accordingly, the claims continue to be interpreted with their "broadest reasonable interpretation," *In re Morris*, 127 F.3d 1048, 1054, 44 USPQ2d 1023, 1027 (Fed. Cir. 1997),⁸ and the Examiner continues to rely heavily and extensively on this interpretation.⁹

15. It is the Examiner's position that all claimed features in claims 26-38 and 40 are either disclosed or inherent in the references as discussed above. Furthermore, the inherent features are established by a preponderance of the evidence. *In re Epstein*, 32 F.3d 1559, 1564, 31 USPQ2d 1817, 1820 (Fed. Cir. 1994) ("Preponderance of the evidence is the standard that must be met by the PTO in making rejections." (citations and quotations omitted)).

Response to Arguments

16. Thanks to Applicants' latest response, the areas of disagreement in this application have been narrowed tremendously. The Examiner sincerely thanks Applicants for their Remarks which

⁸ See also *In re Bass*, 314 F.3d 575, 577, 65 USPQ2d 1156, 1158 (Fed. Cir. 2002) ("In examining a patent claim, the PTO must apply the broadest reasonable meaning to the claim language, taking into account any definitions presented in the specification. Words in a claim are to be given their ordinary and accustomed meaning unless the inventor chose to be his own lexicographer in the specification."); MPEP §§ 2111 and 2111.01; and *In re Etter*, 756 F.2d 852, 858, 225 USPQ 1, 5 (Fed. Cir. 1985) (en banc).

⁹ See 37 C.F.R. §1.104(c)(3) which states in part: "the examiner may rely upon admissions by applicant . . . as to *any matter* affecting patentability [Emphasis added.]"

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have helped narrow these issues. However, while Applicants' arguments filed June 16, 2003 (Paper No. 18) have been fully considered, they are nevertheless not persuasive.

17. As noted by Applicants, inherency is a point of disagreement. Because Applicants argue, inter alia, "[o]bviousness must be established by clear and convincing evidence" and cite *Par Ordnace [sic] Manufacturing, Inc. v. SGS Importers International, Inc.* to support their position,¹⁰ Applicants have misstated the standard of patentability during ex parte examination. In particular, Applicants have misapplied this standard when determining inherency. Therefore a brief review of inherency and the standard need to invoke inherency is therefore appropriate.

(A) Inherency

Generally

18. Merriam-Webster's Collegiate Dictionary defines "inherent" to mean "involved in the constitution or essential character of something"¹¹ While the inherency doctrine had markedly less than an auspicious start,¹² it has become an integral part of our patent system today. As will be discussed, inherency as used in patent law today may or may not be as inclusive as in the so called "inherency doctrine" noted in *Seaborg*. In other words, while all discussion of the

¹⁰ Applicants' "Remarks", Paper No. 18, Page 14, ~ lines 16-18.

¹¹ Merriam-Webster's Collegiate Dictionary, 10th Edition, Merriam-Webster Inc., Springfield, M.A., 1997.

¹² *In re Seaborg*, 328 F.2d 996, 140 USPQ 662 (CCPA 1964) (declining to use the "inherency doctrine" and reversed the Board in a claim that read "1. Element 95.")

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initial “inherency doctrine” includes inherency as defined today, not all discussions of inherency as defined today are applicable within the initial “inherency doctrine.” The Examiner therefore notes and cautions that the initial “inherency doctrine” and inherency as used by patent practitioners today is different.

19. Although the original “inherency doctrine” did not contemplate non-prior art uses of inherency, it is now well established that inherency is not limited to the context of prior art. See e.g. *In re Reynolds*, 443 F.2d 384, 170 USPQ 94 (CCPA 1971) where inherency was applied to 35 U.S.C. §112 1st paragraph. In addition to the “inherency doctrine,” commentators and judges have also discussed “inherent anticipation”¹³ and other inherency topics.¹⁴ Because however Applicants arguments are limited to inherency within the context of prior art, the Examiner will accordingly further limit his discussion to inherency within the context of prior art.

20. It is also important to keep in mind that inherency need not even be recognized by a person of ordinary skill in the art. “Inherency is not necessarily coterminous with the knowledge of those of ordinary skill in the art. Artisans of ordinary skill may not recognize the inherent characteristics or functioning of the prior art.” *Mehl/Biophile Int'l Corp. v. Milgraum*, 192 F.3d 1362, 1365, 52 USPQ2d 1303, 1305-06 (Fed. Cir. 1999); *Atlas Powder*, 190 F.3d at 1347, 51 USPQ2d at 1946-47. This inherency (and its relation to one of ordinary skill in the art) also

¹³ See *Inherent Anticipation* by Steven C. Carlson, 40 IDEA 297 (2000).

¹⁴ See *Inherency in Patent Law* by Irving N. Feit and Christina L. Warrick, 85 JPTOS 5, (January 2003).

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applies to an unappreciated property or discovery. See *EMI Group North America, Inc. v. Cypress Semiconductor Corp.*, 268 F.3d 1342, 60 USPQ2d 1423, 1428 (Fed. Cir. 2001) (“The discovery of a previously unappreciated property of a prior art composition, or of a scientific explanation for the prior art's functioning, does not render the old composition patentably new to the discoverer.”). In other words, the Federal Circuit’s “precedent does not require a skilled artisan to recognize the inherent characteristic in the prior art that anticipates the claimed invention.” *Schering Corp. v. Geneva Pharmaceuticals, Inc.* No. 02-1540 (August 1, 2003).¹⁵

Summary: The Standard for Inherency During Ex Parte Examination

21. The Examiner cites three independent reasons why inherency need only be established by a preponderance of the evidence during ex parte examination. First, the USPTO must base all factual determinations on a preponderance of the evidence. Additionally, anticipation and inherency are a questions of fact. Therefore inherency during ex parte examination must also be determined by a preponderance of the evidence. Second, the presumption of validity under 35 U.S.C. §282 distinguishes issued patents from patent applications requiring inherency in infringement litigation to be established by clear and convincing proof while requiring inherency in ex parte examination to be established by preponderance of the evidence. And finally, the Examiner’s position is consistent with both the Administrative Procedure Act (APA) and the USPTO policy.

¹⁵ See www.ll.georgetown.edu/federal/judicial/fed/august2003.cfm PDF version.

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What's Not In Dispute

22. Before this analysis begins, its important to note (and as Applicants have correctly noted) that in order to anticipate, all features of a claim must be shown either directly or inherently. In other words, "[t]o anticipate a claim, a prior art reference must disclose every limitation of the claimed invention, either explicitly or inherently." *In re Schreiber*, 128 F.3d 1473, 1477, 44 USPQ2d 1429, 1431 (Fed. Cir. 1997).¹⁶ The Examiner agrees with this statement and adds that the these requirements for anticipation are statutorily mandated by 35 U.S.C. §102.¹⁷

23. The Examiner also agrees that the *test* for inherency is that the missing element(s) are present in the reference. *Continental Can Co. v. Monsanto Co.*, 948 F.2d 1264, 1268, 20 USPQ2d 1746, 1749 (Fed. Cir. 1991). Moreover, inherency may supply a single missing element or a single characteristic or even the entire claimed invention. *Schering*.

24. Finally, it apparently is not disputed that inherency may also apply to reference(s) during obviousness determinations as well. See MPEP §2112 citing *In re Grasselli*, 713 F.2d 731, 739, 218 USPQ 769, 775 (Fed. Cir. 1983) which expressly authorizes inherency in obviousness (35 U.S.C. §103) rejections.

¹⁶ Applicants cite *Atlas Powder Co. v. Ireco Inc.*, 190 F.3d 1342, 51 USPQ2d 1943, 1946 (Fed. Cir. 1999) to support this position. *Atlas Powder* cites *Schreiber* for this point.

¹⁷ Although not necessarily pertinent to this discussion, it is self evident that requirements for utility are mandated by 35 U.S.C. §101 while requirements for obviousness are mandated by 35 U.S.C. §103.

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Questions of Fact

25. First and as noted in *In re Oetiker*, 977 F.2d 1443, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992), “patentability is determined by preponderance of the evidence.” Also as noted in *Oetiker*, “factual determinations by the PTO must be based on a preponderance of the evidence” *Oetiker*, 977 F.2d at 1449, 24 USPQ2d at 1447 (Plager, J. concurring). Finally, while it is well established that anticipation is a question of fact¹⁸, it is also well established that inherency for anticipation purposes is also a question of fact¹⁹. The Examiner concludes that for this reason alone, inherency need only be established by a preponderance of the evidence.

2) Presumption of Validity under 35 U.S.C. §282 Doesn’t Apply

26. Applicants next cite *Transclean Corp. v. Bridgewood Servs., Inc.*, 290 F.3d 1364, USPQ2d 1865, 1871 (Fed. Cir. 2002) for the proposition that “anticipation by inherent disclosure is appropriate only when the reference discloses prior art that must *necessarily* include the unstated limitation.” While true on its face, the use of this phrase confuses the *test* with the *standard* by which the test must be proved. As noted above in *Schreiber* and *Atlas Powder*, the Examiner agrees that the test for anticipation is that all claimed features must be present.

¹⁸ See e.g. *In re Hyatt*, 211 F.3d 1367, 54 USPQ2d 1664, 1667 (Fed. Cir. 2000); *Bischoff v. Wethered*, 76 U.S. (9 Wall.) 812, 814-15 (1869).

¹⁹ *In re Schreiber*, 128 F.3d 1473, 1477, 44 USPQ2d 1429, 1431 (Fed. Cir. 1997) (noting that whether a claim limitation is inherent in a prior art reference for purposes of anticipation is a question of fact);

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Transclean Corp merely restates this test by stating that all claimed features must necessarily be present. To that end, the Examiner agrees. However *Transclean Corp* (nor *Continental Can* which was cited by the court in *Transclean Corp*) says anything as to the *standard* by which this statement must be proved.

27. Applicants' next go on to cite *In re Robertson*, 169 F.3d 743, 49 USPQ2d 1949, 1951 (Fed. Cir. 1999) for the proposition that "Inherency, however, may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not sufficient."²⁰ Applicants' reliance on *Robertson* for this point is misplaced since this point in *Robertson* is dicta.

In *In re Robertson*, 169 F.3d 743, 49 USPQ2d 1949 (Fed. Cir. 1999), the applicant claimed a mechanical fastening system for a diaper. Although in means-plus-function format, applicant expressly claimed a "third mechanical fastening means for securing the absorbent article in the disposal configuration, said third mechanical fastening means comprising a third fastening element mechanically engageable with said first fastening element" *Robertson*, 169 F.3d at 744, 49 USPQ2d at 1950. The prior art reference disclosed two snap elements on fastening strips attached to the outer edges of the front and hip sections of a diaper. The Board ruled that one of these fasteners (for attaching the diaper to the wearer) could also operate as a third fastening means to close the diaper for disposal thereby making the third fastening means inherent. *Robertson*, 169 F.3d at 744, 49 USPQ2d at 1951.

²⁰ Applicants' Remarks, Paper No. 18, Page 12, 1st full paragraph.

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In rejecting the Board's reasoning that the third fastening means was inherent, the Federal Circuit noted that "the Board failed to recognize that the third mechanical fastening means in claim 76, used to secure the diaper for disposal, was *separate from and independent of* the two other mechanical means used to attach the diaper to the person. [Emphasis added.]" *Robertson*, 169 F.3d at 745, 49 USPQ2d at 1951. Therefore, the rule from *Robertson* involves the USPTO's failure to identify claim elements—*not* inherency. As will be addressed later on, the quote as cited by Applicants (which Applicants attribute to *Robertson*) is also a quote from *Continental Can*.

For Applicants' benefit and because the cited passage in *Robertson* appears to be dicta, the Examiner will assume that Applicants' point is attributable to *Continental Can* and not *Robinson*. So again, while this statement from *Continental Can* is true on its face, it too fails to consider the *standard* by which inherency during ex parte examination is judged.

Inherency During Ex Parte Examination: Standard of Proof

28. First, it is the Examiner's position that as a matter of law, the standard for establishing anticipation (and thus inherent anticipation) during ex parte examination is *lower than* the standard for establishing anticipation and inherency during an inter-party patent infringement suit. Because of this lower standard, the Examiner need only prove that each element of the claimed invention is present in the reference (either directly or inherently) by a preponderance of the evidence.

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29. In *In re Caveney*, 761 F.2d 671, 226 USPQ 1 (Fed. Cir. 1985), the Federal Circuit upheld an examiner's rejection under 35 U.S.C. §102(b) because the appellants offered to sell the claimed invention more than one year before filing. The court having considered the USPTO's standard of proof required to set forth its prima facie case concluded that "preponderance of the evidence is the standard that must be met by the PTO in making rejections" *Caveney*, 761 F.2d at 674, 226 USPQ at 3. The court in *Caveney* noted that although there was conflicting evidence of the offer for sale and the PTO had not established its case by clear and convincing evidence, the court nevertheless concluded that the USPTO met its burden. "Although the above-related activities may not be clear and convincing evidence of facts that show the claimed invention was offered for sale, we are satisfied that they establish such facts by a preponderance of the evidence." *Caveney*, 761 F.2d at 675, 226 USPQ at 3.

30. The reasoning behind this result is quite simple. Issued patents have a presumption of validity acquired under 35 U.S.C. §282. Thus, invalidity of issued patents under *any* statutory provision requires the moving party to prove such facts by clear and convincing evidence.²¹ Ex

²¹ For other examples requiring clear and convincing proof after issuance, see: regarding anticipation, *Crown Operations Int'l, Ltd. v. Solutia Inc.*, 289 F.3d 1367, 1377-78, 62 USPQ2d 1917, 1923 (Fed. Cir. 2002) (where defendant *Crown* failed to invalidate the patent because they failed to show inherency by clear and convincing evidence); regarding 35 U.S.C. 112 1st paragraph and enablement, see *Morton Int'l, Inc. v. Cardinal Chem. Co.*, 5 F.3d 1464, 28 USPQ2d 1190, 1194 (Fed. Cir. 1993) ("At trial, [the defendant] had the burden of proving by clear and convincing evidence facts establishing lack of enablement"); regarding 35 U.S.C. 112 1st paragraph and written description, see *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 65 USPQ2d 1385, 1397 (Fed. Cir. 2003) (where the Federal Circuit upheld the district court's "finding that [the defendant] had proven its case only by a preponderance of the evidence—not the clear and convincing standard required as a matter of law."); and regarding omission of inventor, see

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parte examination, on the other hand, has no presumption of validity, see *In re Etter*, 756 F.2d 852, 225 USPQ 1, 3-6 (Fed. Cir. 1985)(en banc), allowing the USPTO to establish such facts by only a preponderance of the evidence. Because of these differing standards, the Examiner concludes that anticipation is *easier* to establish during ex parte examination than it is to establish during e.g. infringement. The court in *Caveney* having properly recognized this distinction noted:

From *In re Etter*, 756, F.2d 852, 225 USPQ 1 (Fed. Cir. 1985) (en banc), it is apparent that, due to 35 U.S.C. §282, the standard of proof required to properly reject the claims of a patent application is necessarily lower than that required to invalidate patent claims. *Caveney*, 761 F.2d at 674, 226 USPQ at 3.

31. While *Caveney* applied to §102 and the on sale bar, the reasoning from *Caveney* equally applies to §102 anticipation and, for that matter, *any* statutorily mandated requirement (i.e. 35 U.S.C. §§ 101, 103, 112, etc.). This reasoning behind applying *Caveney* to all statutorily mandated requirement is because such requirements are the only requirements which receive the presumption of validity upon issuance. Therefore, the standard the USPTO must meet to set forth a prima facie case *before* such presumption applies is only a preponderance of the evidence.

32. Having established that preponderance of the evidence is the standard in which the USPTO must meet to set forth a prima facie case of anticipation, it is a truism that all elements of anticipation must also be established by only a preponderance of the evidence. That is to say each

Environ Prods. v. Furon Co., 215 F.3d 1261, 1265, 55 USPQ2d 1038, 1042 (Fed. Cir. 2000)(noting that a party challenging patent validity for omission of an inventor must present clear and convincing evidence that the omitted individual actually invented the claimed invention).

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and every claimed element must be shown to exist either directly or inherently by only a preponderance of the evidence.²²

While this concept is easy to conceptualize for claim limitations directly disclosed in the prior art since the text and diagrams in the reference are usually enough evidence to show that the particular element is anticipated by a preponderance of the evidence, inherent limitations are not as straight forward. Because of the standard, the test for inherency during ex parte examination therefore becomes: is it more likely than not that a particular element is inherent in the reference?

Reconciling with Continental Can

33. As noted above, the Examiner has shown above that inherency during ex parte examination need only be established by a preponderance of the evidence. Moreover, the Examiner previously noted that *Continental Can Co. v. Monsanto Co.* is often cited as *the* authority for the test on inherency. In particular, the following is frequently quoted:

Inherency, however may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not sufficient. *Continental Can*, 948 F.2d at 1269, 20 USPQ2d at 1749.

²² It is not logically possible to hold otherwise. For example, suppose a particular claim had only three elements: (a), (b), and (c). Suppose (for anticipation purposes) any single element in the claim, e.g. element (b), had to be proven by a standard *higher than* a preponderance of the evidence. If this were true, the rule of law that anticipation need only be established by a preponderance of the evidence would be violated. This is because the standard for any legal test is only as low as the standard for the highest element. In other words, the highest standard of any one element must determine the lowest possible standard for the overall test.

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34. Other cases have employed similar statements that essentially restate this proposition from *Continental Can*.²³ However an important distinction becomes self-evident: *Continental Can* involves an inter-party patent infringement lawsuit where the presumption of validity under 35 U.S.C. §282 applies. It is *not* ex parte examination. If *Continental Can* proffers any rule regarding inherency, it must be kept in mind that such rule must include the presumption of validity. And as noted above, this is not our case.

35. In fact, the court in *Schering* discussed *Continental Can* and noted that *Continental Can* stands for the proposition that inherency requires a determination of the meaning of the prior art through the eyes of one of ordinary skill in the art:

Read in context, *Continental Can* stands for the proposition that inherency, like anticipation itself, requires a determination of the meaning of the prior art. Thus, a court may consult artisans of ordinary skill to ascertain their understanding about subject matter disclosed by the prior art, including features inherent in the prior art. A court may resolve factual questions about the subject matter in the prior art by examining the reference through the eyes of a person of ordinary skill in the art, among other sources of evidence about the meaning of the prior art. *Schering* (pages 8-9 from PDF format).

36. Because of *Schering*, it may now be debatable that the holding from *Continental Can* established the *test* for inherency, it is quite clear that *Continental Can* did not set the *standard* by

²³ See e.g. *In re Rijckaert*, 9 F.3d 1531, 1534, 28 USPQ2d 1955, 1957 (Fed. Cir. 1993) quoting in part *In re Oelrich*, 666 F.2d 578, 581-82, 212 USPQ 323, 326 (CCPA 1981) (“The mere fact that a certain thing may result from a given set of circumstances is not sufficient to establish inherency.”); *Talbert Fuel Systems Patents Co. v. Unocal Corp.*, 275 F3d 1371, 61 USPQ2d 1363 (Fed. Cir. 2002) citing *Continental Can* (“The mere fact that a certain thing may result from a given set of circumstances is not sufficient.”).

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which the test is judged. Yet even assuming *Continental Can* sets the test, it begs the question: how does the Examiner's position reconcile with the test as established *Continental Can*?

37. The two rules of law are reconciled by adopting the position that during ex parte examination, inherency can not be established by probabilities or possibilities *less than* a preponderance of the evidence. The mere fact that a certain thing may result from a given set of circumstances (again, by showing evidence *less than* a preponderance of the evidence) is not sufficient. What is sufficient is to show that its more likely than not that a particular claim element is found in the reference. In other words, its acceptable that during ex parte examination, inherency may be established with some uncertainties, with some probabilities or possibilities against inherency and still comply with *Continental Can*.

38. It must be kept in mind that anticipation can practically never be proven with 100% certainty. Likewise, inherency too can never be proven with 100% certainty. If an examiner had to prove anticipation with 100% certainty, virtually all patent applications would be allowed, the concept of prima facie case²⁴ would have no meaning, and the patent system would suffer greatly. And since inherency is an element of anticipation (or even an element of an obviousness determination for that matter), its axiomatic that it too can never be proven with 100% certainty.

39. It is therefore a practical conclusion that to establish anticipation or inherency, one need establish such facts with a certainty somewhere between 50-99%. Specifically and as noted above, inherency during an infringement suit need only be proven by clear and convincing

²⁴ See *Oetiker*, 977 F.2d at 1445, 24 USPQ2d at 1444.

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evidence while inherency during ex parte examination need only be proven by a preponderance of the evidence.

40. However even the clear and convincing standard seems to on its face, violate *Continental Can*'s prohibition against establishing inherencies by "probabilities or possibilities" because it must include *some* probabilities. Black's Law Dictionary²⁵ defines "clear and convincing proof" as:

That proof which results in reasonable certainty of the truth of the ultimate fact in controversy. Proof which requires more than a preponderance of the evidence but less than proof beyond a reasonable doubt. Clear and convincing proof will be shown where the truth of the facts asserted is highly probable.

41. It is axiomatic then that the rule from *Continental Can* must encapsulate establishing inherency by at least *some* probabilities or possibilities. 'Highly probably' is not 100% certainty. Because the rule from *Continental Can* therefore must include some probabilities or possibilities, the Examiner's position that inherency during ex parte examination may nevertheless be established with some probabilities or possibilities is equally valid.

Consistent with the Administrative Procedure Act (APA) & USPTO Policy

42. Finally and on a procedural matter, the Examiner notes that because the USPTO must follow the Administrative Procedure Act (APA)²⁶, the standard for review of USPTO factual

²⁵ Black's Law Dictionary, Abridged 6th Ed., West Publishing Co., 1991.

²⁶ See *In re Lee*, 61 USPQ2d 1430, 1432 (Fed. Cir. 2002) ("Tribunals of the PTO are governed by the Administrative Procedure Act") citing *Dickinson v. Zurko*, 527 U.S. 150, 50 USPQ2d 1930 (1999).

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determinations *on appeal* to the Federal Circuit is now “substantial evidence”²⁷ and not the ‘clearly erroneous’ standard as set forth in *Caveney*. However, because the standard the USPTO must meet to *establish* a prima facie case remains unchanged by *Gartside*, *Caveney* remains controlling on this point.

43. Finally, the Examiner’s interpretation is also consistent with USPTO policy. See MPEP §706 which states in part: “The standard to be applied in *all cases* is the ‘preponderance of the evidence’ test. In other words, an examiner should reject a claim if, in view of the prior art and evidence of record, it is more likely than not that the claim is unpatentable. [Emphasis added.]”

(B) Anticipation Based upon Kanevsky (Applicants’ ‘A’ Arguments)

44. First, the Examiner agrees with Applicants’ statement that all claimed features must be shown either directly or inherently. Applicants apparently disagree with the Examiner’s inherency argument about regarding ‘receiving advertising information.’ Applicants also provide an excellent example to help clarify the inherency. Applicants state that the “personalized ad printed on the sales receipt is created by the advertisement server.”²⁸ While the Examiner agrees that the *end product* was created by the machine, the *initial* advertising information must have been entered (or “received”). In other words, Kanevsky had to have received the initial advertising information that was to be later combined and printed on the receipt.

²⁷ *In re Gartside*, 203 F.3d 1305, 1316, 53 USPQ2d 1769, 1776 (Fed. Cir. 2000).

²⁸ Applicants’ “Remarks”, Paper No 18, Page 11, ~ Pages 17 and 18.

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45. Regarding Applicants' arguments in their section 'D' on page 15 of their remarks relating to the rejection of Kanevsky in view of Schulze (i.e. claim 40), they too are not persuasive.

Applicants repeat their arguments, point to a position that the "Examiner contends," and state what the claimed limitations. They next state that "[c]ombining Schulze with Kanevsky does not meet these limitations." It is not known as to what particular limitations Applicants are referring to. Although Applicants argue that the claim recites "reading the ID by the input terminal from which advertising information is received," this recitation is not found in the claim. The claim recites "receiving advertising information from an input terminal." The input terminal may or may not have first received the information. For prior art purposes, the input terminal may have received the information from another input terminal.

46. Applicants' finally argue hindsight. The motivation provided by the Examiner however is clearly not hindsight. The prior art is replete with ways to restrict access to computer systems to prevent fraud, destruction, and other problems.

Conclusion

47. The prior art made of record and not relied upon is considered pertinent to applicant's disclosure includes the following: Augustine (U.S. 6,550,683 B1); Ching (U.S. 6,533,168); Yoshinaga et. al. (U.S. 6,460,763 B1); Walker et. al. (U.S. 6,267,670 B1); and Rademacher (U.S. 5,868,236).

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48. Unless expressly noted otherwise by the Examiner, the following two (2) citations to the Manual of Patent Examining Procedure ("MPEP") apply to this Office Action: MPEP citations to Chapters 200, 700, 1800, and 2100 are from the MPEP 8th Edition, Rev 1, February 2003. All remaining MPEP citations are from MPEP 8th Edition, August 2001.

49. In accordance with *In re Lee*, 277 F.3d 1338, 1344, 61 USPQ2d 1430, 1434-35 (Fed. Cir. 2002), the Examiner finds that the references How Computers Work Millennium Ed. by Ron White; How Networks Work, Millennium Ed. by Frank J. Derfler et. al.; and How the Internet Works, Millennium Ed. by Preston Gralla are additional evidence of what is basic knowledge or common sense to one of ordinary skill in this art. Each reference is cited in its entirety. Moreover, because the references are directed towards beginners (see "User Level: Beginning . . ."), the Examiner finds that the references are primarily directed towards those of *low* skill in this art. Because the references are directed towards those of low skill in this art, the Examiner finds that one of *ordinary* skill in this art must—at the very least—be aware of the knowledge and information contained within the references.

50. All factual findings and conclusions of law in this Office Action are based the entire record. Although the Examiner may have singled out various items of evidence (e.g. Kanevsky) and expressly noted their content, this does *not* mean that the other documents of record were not considered and applied when making the prior art rejections above. Moreover, because the

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cannons of claim construction are generally viewed from a person of ordinary skill in the art,²⁹ the other documents of record not specifically mentioned in the prior art rejections above were used in the Examiner's deliberative process to assess, inter alia, the definiteness of the claims, the level of skill in the art, and ultimately the patentability of the claimed invention.

51. In accordance with the USPTO's goals of customer service, compact prosecution, and reduction of cycle time, the Examiner has again made every effort to clarify his position regarding claim interpretation and any rejections or objections in this application. Furthermore, the Examiner has again provided Applicants with notice—for due process purposes—of his position regarding his factual determinations and legal conclusions. If Applicants disagree with *any* factual determination or legal conclusion made by the Examiner in this Office Action whether expressly stated or implied,³⁰ the Examiner respectfully reminds Applicants to properly traverse the Examiner's position(s) in accordance with 37 C.F.R. §1.111(b) *in their next response*. By addressing these issues now, matters where the Examiner and Applicants agree can be eliminated allowing the Examiner and Applicants to focus on areas of disagreement (if any) with the goal towards allowance in the shortest possible time. If Applicants have any questions regarding the Examiner's positions or have other questions regarding this communication or even previous

²⁹ See e.g. *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1576, 1 USPQ2d 1081, 1088 (Fed. Cir. 1986)(noting that the definiteness inquiry focuses on whether those skilled in the art would understand the scope of the claim).

³⁰ E.g., if the Examiner rejected a claim under §103 with two references, although not directly stated, it is the Examiner's implied position that the references are analogous art.

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communications, Applicants are strongly encouraged to contact Examiner Andrew J. Fischer whose telephone number is (703) 305-0292.

 8/4/03

Andrew J Fischer
Patent Examiner

AJF
August 4, 2003